

DEPARTMENT OF COMMERCE
IOWA DIVISION OF BANKING

PERFORMANCE REPORT

Performance Results Achieved
for Fiscal Year 2014

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INTRODUCTION

I am pleased to present the Department of Commerce, Iowa Division of Banking (IDOB) Performance Report for Fiscal Year 2014 (July 1, 2013 - June 30, 2014). This report contains valuable information about the services the IDOB has provided for Iowans during the past fiscal year. This report is provided to meet the agency's commitment to manage for results and to be open and accountable to Iowa citizens. This report contains performance information on the Bank Bureau, the Finance Bureau, and the Professional Licensing Bureau of the IDOB.

AGENCY OVERVIEW

Introduction

The IDOB was created in 1917 to ensure the stability and public confidence in the banks organized under a state charter. Today the IDOB is led by the Superintendent of Banking and consists of three functional areas: the Bank Bureau, the Finance Bureau, and the Professional Licensing Bureau which merged with IDOB as of 7-1-2006.

The Superintendent of Banking also acts as Superintendent of Savings and Loan Associations. Currently there are no state chartered savings and loan associations, all are federally chartered.

Mission: Protect the interests of those doing business with banks, financial service providers and licensed professionals by ensuring safety, soundness and adherence to the laws and regulations of Iowa.

The **Banking and Finance Bureaus** of IDOB perform safety and soundness, trust, bank secrecy act, compliance, and information system examinations of IDOB-supervised institutions.

Examinations are conducted to assess an institution's overall financial condition, management practices and policies, and compliance with applicable laws and regulations. Through the examination process, the IDOB also assesses the adequacy of management and internal control systems to identify and control risks. The IDOB regularly reviews examination methodologies and adjusts them as necessary to remain effective.

If the examination process reveals weaknesses in an IDOB-supervised institution's operations or conditions, the IDOB takes appropriate action. Informal or formal enforcement actions may be issued for IDOB-supervised institutions with significant weaknesses or those operating in a deteriorated financial condition. The actions remain in effect until the weakness is corrected. If the problems remain unresolved, the IDOB may take further steps to encourage or compel institutions to comply with the actions. If these efforts are unsuccessful or if other weaknesses are evident, the institution would be instructed to seek additional capital or a merger. If problems remain unresolved, the IDOB, as the chartering authority, may close the institution.

The IDOB would then likely appoint the FDIC as receiver, with this agency overseeing the resolution of the institution.

Informal enforcement actions require the institution's acknowledgement and commitment to correct the problem. Informal actions include board resolutions or memoranda of understanding. Formal enforcement actions are taken when an informal action is ineffective or inappropriate. Formal enforcement actions include written agreements, cease and desist orders, civil money penalties, and officer and director suspension or removal.

Communication is an important component of the IDOB's supervision program. Risks identified during an examination are discussed with the institution's management and its board of directors. In addition to communication regarding examinations, the IDOB provides information on issues affecting the industry through letters, emails, and forums.

The IDOB also evaluates an IDOB-supervised institution's ability to manage risk when reviewing applications or notices for new or expanded activities. In order for the IDOB to expedite the review of an institution's application or notice, it must be well-capitalized, possess a qualified management team, be capable of operating in a safe and sound manner, and be compliant with applicable laws and regulations.

The development and implementation of effective risk-management policies and practices are the responsibility of individual financial institutions. As institutions enter new lines of business and activities, implement new technologies, or face changing economic conditions, risk-management policies and oversight become increasingly important.

Procedures normally performed in completing examinations may disclose the presence of fraud or insider abuse, although fraud detection is not a primary purpose of the examination program. The IDOB prepares its examination staff to recognize indicators of fraudulent activity, but fraud is often difficult to detect and losses may occur before the fraudulent activity is detected.

For banks, the IDOB participates in an examination program under which examinations are performed on an alternating basis with the two federal financial institution regulators – FRB and FDIC and the FRB. The close working relationship the IDOB has with the FRB and the FDIC enables the regulators to address issues and programs that transcend the jurisdiction of each agency. In many areas, the IDOB works closely with federal regulators to address risk areas.

The IDOB also works closely with the Conference of State Bank Supervisors (CSBS), which represents the state regulatory authorities in Washington D.C.

The **Professional Licensing and Regulation Bureau** of IDOB provides administrative support for the following seven professional licensing boards that regulate approximately 33,000 licensees.

a. The engineering and land surveying examining board is a seven-member board appointed by the governor and confirmed by the senate. It is composed of four professional engineers, one land surveyor, and two public members. The board administers Iowa Code

chapter 542B, Professional Engineers and Land Surveyors, and Iowa Administrative Code chapter 193C.

b. The accountancy examining board is an eight-member board appointed by the governor and confirmed by the senate. It is composed of five certified public accountants, one accounting practitioner, and two public members. The board administers Iowa Code chapter 542, Public Accountants, and Iowa Administrative Code 193A.

c. The real estate commission is a seven-member commission appointed by the governor and confirmed by the senate. It is composed of five members licensed under Iowa Code chapter 543B and two public members. The board administers Iowa Code chapter 543B; Real Estate Brokers and Salespersons; 543C, Sales of Subdivided Land Outside of Iowa; 557A, Time-Share Act; and Iowa Administrative Code 193E.

d. The architectural examining board is a seven-member board appointed by the governor and confirmed by the senate. It is composed of five registered architects and two public members. The board administers Iowa Code chapter 544A, Registered Architects, and Iowa Administrative Code chapter 193B.

e. The landscape architectural examining board is a seven-member board appointed by the governor and confirmed by the senate. It is composed of five registered landscape architects and two public members. The board administers Iowa Code chapter 544B, Landscape Architects, and Iowa Administrative Code chapter 193D.

f. The real estate appraiser examining board is a seven-member board appointed by the governor and confirmed by the senate. It is composed of five certified real estate appraisers and two public members. The board administers Iowa Code chapter 543D, Real Estate Appraisals and Appraisers, and Iowa Administrative Code chapter 193F.

g. The interior design examining board is a seven-member board appointed by the governor and confirmed by the senate. It is composed of five interior designers and two public members. The board administers Iowa Code chapter 544A, Interior Design, and Iowa Administrative Code chapter 193G.

To ensure citizens of the state receive professional, competent, and safe services, each board: adopts rules and establishes standards for licensure or certification (including regular renewal of those licenses and certifications) which may include an initial examination, education, apprenticeship, and criminal background check; makes licensing decisions and issues the license or permit to practice; and actively monitors licensee compliance by investigating complaints and work-product review, and conducting disciplinary hearings.

KEY RESULT TEMPLATE

CORE FUNCTIONS – I. Banking and Finance, II. Professional Licensing

Name: Regulation & Compliance:

I. Banking and Finance

Description:

The IDOB supervises certain financial institutions as required by state law via licensing or chartering, examining on a regular basis, and investigating consumer complaints. The intent is to ensure licensed or chartered financial institutions operate in a safe and sound manner and in compliance with applicable laws and regulations.

Why we are doing this:

With the assurance that banks are operating in a safe and sound manner, citizens are encouraged to deposit money and utilize the bank's money transmittal services while the bank utilizes these deposits to lend in its community. Supervision provides for that assurance and also promotes fair competition to those regulated entities competing for citizen's deposits. This supervision also provides an outlet for citizens to contact if they feel they have been unjustly treated by the regulated entities.

What we're doing to achieve results:

The IDOB utilizes performance measures to ensure that we provide timely responses to those seeking to be licensed or chartered in Iowa, examinations are conducted in an efficient and timely manner, and that consumer complaints are investigated and responded to in a timely manner. We have established procedures to assure safety and soundness and compliance. These measures are utilized to ensure we perform our duties in a consistently improving, efficient manner.

What was achieved: 100% of chartered and licensed financial institutions were examined within the statutorily required timeframes and those exams reflected that the financial institutions are operated in a safe and sound manner and in compliance with applicable laws and regulations. In the finance bureau, 100% of complaints received were acknowledged and reviewed within 5 days of receipt. 93% of those complaints were resolved within 30 days. 99% of the applications received were reviewed within 7 days of receipt. Pending applications are closely monitored and delays are usually due to incomplete applications. Licensing decisions were made on 67% of those applications within 30 days of receipt of the application.

Data Sources: Internal data base.

Resources: The IDOB (except for the PLB which separately accounts for its funds) is funded by fees assessed to the entities it regulates. The fees received and expenditures made are handled through accounts within the Commerce Revolving Fund. The Iowa Division of Banking is no cost to the General Fund.

II. Professional Licensing

Description: The Professional Licensing and Regulation Bureau administers and coordinates the licensing and regulation of eight professions through seven separate boards. Two primary activities in the regulation of professions are licensing and complaint investigation.

Why we are doing this: To preserve and protect the public's health, safety and welfare.

What we're doing to achieve results: Provide complaint forms and information on each of the profession's web pages. Then the complaints are investigated, reported to the applicable board with appropriate action then taken.

Performance Measure: The time from receipt of complaint to resolution of the complaint is measured.

Performance Target: 95% of all written complaints received will be resolved within the fiscal year.

Data Sources: Review of Board/Commission meeting minutes.

Data reliability: The Boards/Commission maintains files and records for each case opened and closed.

Why we are using this measure: To assure the public that persons admitted to practice maintain acceptable standards and to hold those who have not been admitted accountable for holding themselves out as a registered professional..

What was achieved: The Bureau resolved 75% of the complaints received within the fiscal year.

Analysis of results: 75% of all complaints received were resolved within the fiscal year.

Factors affecting results: The boards have an assigned investigator, however, often the professions need a subject matter expert and therefore need to rely on volunteer and contract investigators which are difficult to obtain. Some complaints take longer than a year to resolve because of legal and/or time constraints depending on the severity of the alleged offense.

Resources used: PLB is funded through licensing fees and appropriation. Fees generated exceed the amount appropriated to PLB.

AGENCY PERFORMANCE PLAN RESULTS FY 2013

Name of Agency: DEPARTMENT OF COMMERCE – BANKING DIVISION			
I. Banking and Finance			
Core Function: Regulation & Compliance			
Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
All financial institutions chartered and licensed by the Iowa Division of Banking are operated in a safe and sound manner and in compliance with applicable laws and regulations.	100%	100%	What Occurred: 100% of chartered and licensed financial institutions are operated in a safe and sound manner in compliance with applicable laws and regulations protecting the citizens of Iowa. Data Source: Internal database
Service, Product or Activity: Regulation of state-chartered banks			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of state-chartered banks examined.	100%	100%	What Occurred: 100% of state-chartered banks were examined within statutory time limitations. Data Source: Internal database
Service, Product or Activity: Regulation of financial institutions			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of licensed financial institutions examined that are statutorily required to be examined.	100%	100%	What Occurred: All licensed financial institutions were examined within statutory time limitations. Data Source: Internal database
2. Percent of financial institution complaints resolved.	90% responded to (or resolved) within 30 days of receipt.	93%	What Occurred: All complaints were acknowledged and reviewed with 5 days of receipt. Data Source: Internal database
3. Percent of license applications processed.	The licensing decision will be communicated to 90% of the license applicants within 30 days of receipt of a completed application.	67%	What Occurred: 85% of applications were reviewed within 5 days of receipt. 67% of the licensing decisions were communicated to license applicants within 30 days of receipt of the application. The license data base does not presently note when an application is determined to be complete and therefore delays occur because the application is often not in fact complete. 86% of the licensing decisions were made within 60 days of the receipt of the application. The average number of days from receipt to issuance of a license was 31 days. Data Source: Internal database

Name of Agency: DEPARTMENT OF COMMERCE – DIVISION OF BANKING			
II. Professional Licensing			
Core Function: Regulation & Compliance			
Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
% of complaints received are resolved annually.	95%	75%	<p>What Occurred: 75% of complaints received were resolved. The boards have an assigned investigator, however, often the professions need a subject matter expert and therefore need to rely on volunteer and contract investigators which are difficult to obtain. Some complaints take longer than a year to resolve because of legal and/or time constraints depending on the severity of the alleged offense</p> <p>Data Source: Review of Board/Commission meeting minutes.</p>
Service, Product or Activity: Regulation of professions			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
% of complaints received are resolved annually.	95%	75%	<p>What Occurred: 75% of complaints received were resolved. The boards have an assigned investigator, however, often the professions need a subject matter expert and therefore need to rely on volunteer and contract investigators which are difficult to obtain. Some complaints take longer than a year to resolve because of legal and/or time constraints depending on the severity of the alleged offense</p> <p>Data Source: Review of Board/Commission meeting minutes.</p>
% of qualified candidates will be examined.	95%	100%	<p>What Occurred: 100% of candidates examined were qualified.</p> <p>Data Source: Examination administration reports submitted by the testing organizations.</p>
% of license renewals will be processed in 5 days.	95%	99%	<p>What Occurred: The Bureau processed 99% of all completed renewals within five working days.</p> <p>Data Source: Date stamped renewal forms are maintained by each profession.</p>

AGENCY CONTACTS

Copies of the Iowa Division of Banking's Performance Report are available on the IDOB Web site at www.idob.state.ia.us.

Copies of the report can also be obtained by contacting David Huang at 515/281-4014.